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RUCNARF/ASEAN REGIONAL FORUM COLLECTIVE
RUEHBJ/AMEMBASSY BEIJING 0009
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SENSITIVE
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SUBJECT: GORGON GAS PROJECT GETS FEDERAL ENVIRONMENTAL GO AHEAD

REF: PERTH 38

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THIS MESSAGE IS SENSITIVE BUT UNCLASSIFIED.

11. (U) SUMMARY: Australian Federal Environment Minister Peter Garrett granted conditional environmental approval August 26 for the proposed A\$50 billion (US\$40 billion) three-train Gorgon liquefied natural gas (LNG) Project in Western Australia (WA). The approval comes with 28 conditions to mitigate and manage the impact of the massive project on the native flatback turtle population and other endangered species which live on the project site on Barrow Island, a protected nature reserve. The federal environmental approval was widely anticipated following Federal Resource Minister Martin Ferguson's visit to Beijing for ExxonMobil's historic LNG deal signed with PetroChina last week. The federal approval paves the way for partners Chevron, ExxonMobil and Shell to make a final investment decision on the project, expected to be announced in mid-September. End Summary.

Conditional Federal Environmental Approval

12. (U) Garrett's decision, announced ahead of the government's September 8 deadline, gives conditional approval for the three-LNG-train (expanded from the original two-train) Gorgon Gas project to go ahead (Septel). The approval imposes strict environmental conditions to protect, manage and monitor endangered terrestrial fauna, such as the spectacled hare-wallaby, burrowing bettong and golden bandicoot, along with measures to monitor and limit the impact of light and noise on the flatback turtle population that nests on the island. Chevron, which is leading the Gorgon development, will have to contribute A\$62.5 million (US\$ 50 million) over the life of the project to a flatback turtle conservation program. The federal decision follows the assessment and conditions imposed by the WA Government, which granted environmental approval August 10.

Partners Welcome Decision

13. (SBU) Chevron officials have welcomed the federal decision, but have been careful not to overplay its significance. Chevron Australia's Managing Director Roy Krzywosinski said in a statement Wednesday the company is keen to move the project forward. "The Gorgon project is globally and nationally significant with a resource base of more than 40 trillion cubic feet of gas and an estimated economic life of at least 40 years from the time of start-up." Krzywosinski added "we appreciate the support shown by the Federal and State Governments as we move the Gorgon Project towards a final investment decision." Chevron's Gorgon project head Colin Beckett told the media that "although the conditions imposed on the project are rigorous, the company had been working on many of them for awhile." A senior Chevron official told the Consul General privately that the federal decision was positive, but "there is still some water under the bridge yet" before the final investment decision, expected by mid-September. ExxonMobil has already shored up A\$75 billion (US\$60 billion) worth of contracts to supply India and China with LNG from the Barrow Island project (Ref).

Comment: Critics Say It Was A Done Deal

14. (SBU) Environmentalists and other critics of the Gorgon project say Garrett's decision was signaled a week ago when Federal Resources Minister Martin Ferguson flew to Beijing for

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the signing of ExxonMobil and PetroChina's historic A\$50 billion (US\$40 billion) 30-year LNG deal. The federal government's presence there, critics say, implies that the environmental approval was either already decided or just an exercise in rubberstamping the admittedly strong business case for the project, which promises up to 10,000 jobs and billions of dollars worth of local procurement and federal government royalties. Chevron officials confided to us before the decision that while they "could not take federal approval for granted, in practice, the federal government usually takes it lead from the states." In WA's case, state environment officials recommended against locating the Gorgon project on a protected nature reserve, but were overridden by support for the project from the state's top political leaders, both Labor and Liberal. Sources close to Garrett point out that he has a very specific role under Australia's environmental protection laws, and that the Minister works in a "strategic partnership" with state authorities to reach a comprehensive outcome. Garrett's approval extends an existing decision to allow economic exploitation of Barrow Island. The approval is consistent with Garrett's record of sticking close to the legislative mandate on controversial approvals; public criticism springs from his record as an activist before he joined government, not his institutional role under environmental protection laws. End Comment.

15. This cable was prepared jointly with Embassy Canberra.

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